

BUSINESS MARKETING / 03B

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*Based on Dr. W.G. Biemans' Business
marketing management, Prof. Ph. Kotler's
Principles of marketing / Strategic marketing
management and miscellaneous designer's
lecturing materials*



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STRATEGIC MARKETING PLANNING

Internal analysis, aspects

- **Elements that could occur in an internal analysis (internal audit), are i.a.:**
 - value chain
 - purchasing policy
 - product- and production policy
 - research & development
 - marketing & sales
 - position in comparison to competitors
 - distribution policy
 - organizational factors
 - financial position

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STRATEGIC MARKETING PLANNING

Internal analysis, aspects

- **Strengths & weaknesses**
 - **Strengths** involve the **unique core competencies** and/or the **unique assets** that the organization has in order to take maximum advantage of its opportunities and/or to avoid its threats.
 - **Weaknesses** involve the organization's (or the entrepreneur's) shortcomings that prevent performance achievement.
 - Preferably, **strengths and weaknesses** should be expressed in terms concerning **business processes and competencies** which are vital to effectively meet wishes and demands in the market.

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STRATEGIC MARKETING PLANNING

Internal analysis, aspects

- **Strengths & weaknesses**
 - The **strengths** and **weaknesses** in the SWOT analysis involve features of a company that are closely related to the **critical success factors** of the firm.
 - **Critical success factors** are strengths and weaknesses that most critically affect an organization's success, such as the ability to build successful relationships with customers, or securing financing for further expansion.
 - Strengths and weaknesses are / should be **relative** (to competition), not absolute.

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INTERNAL ANALYSIS

Value chain analysis

- **Internal audits**
 - The internal audit often involves an evaluation of the **organization's entire value chain**: the chain (series) of consecutive processes, each adding a certain value to the organization's operations.
 - **Prof. Michael Porter's value chain analysis** is a strategic model that helps organizations to analyze specific activities through which they can create value and competitive advantage.

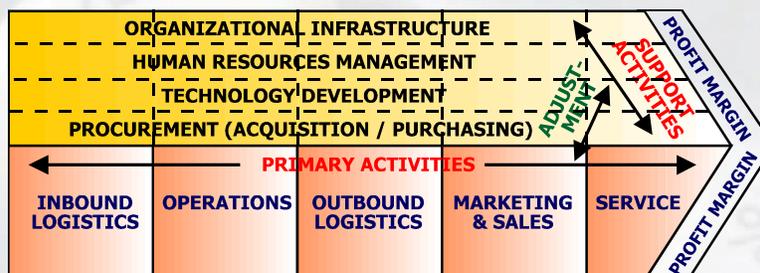
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INTERNAL ANALYSIS

Value chain analysis

- **Value chain analysis**



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INTERNAL ANALYSIS

Value chain analysis

- **Value chain analysis**
 - According to Porter, the value chain encompasses **the whole organization**, and each part of it should contribute to achieving (sustainable) competitive advantage.

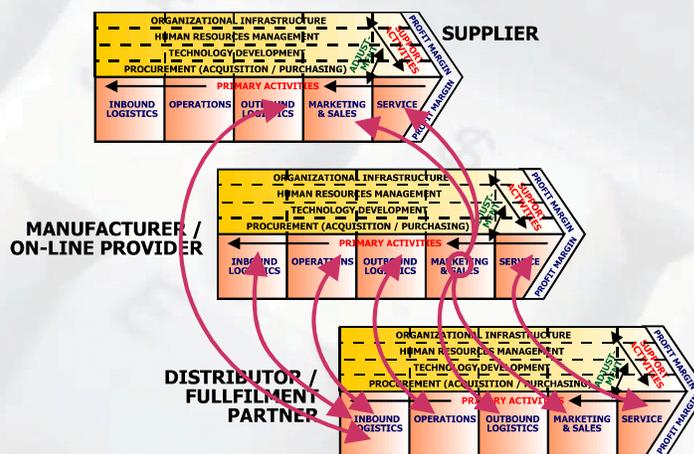
An organization's value chain is often connected to those of other organizations, and forms a part of a **larger value chain**. Competitive advantage depends on how effectively this value chain is being analyzed and managed: **supply chain management**.

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INTERNAL ANALYSIS

Value chain analysis



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INTERNAL ANALYSIS

Purchasing policy

- **Purchasing** commonly represents $> \pm 60\%$ of the value of (the costs of) production.
- **Purchasing policy** is therefore aimed at:
 - **improving the competitive position** through more advantageous and higher quality purchasing;
 - **cutting down expenses** by standardizing stocks / supplies, and through discounts;
 - **TQM** and thus: zero-defect purchasing;
 - **JIT system** / supply management.

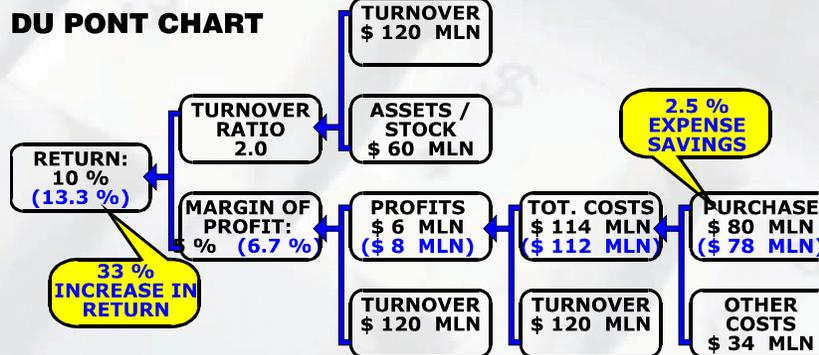
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INTERNAL ANALYSIS

Purchasing policy

- **Purchasing: effect of a discount on profitability:**



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INTERNAL ANALYSIS

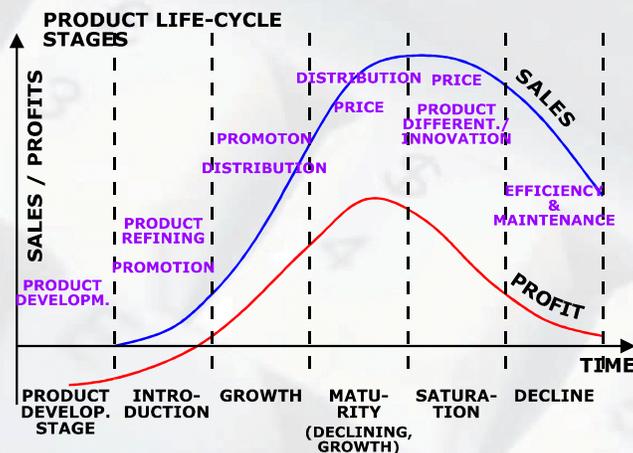
Product and production policy

- **Important aspects regarding product- and production policy:**
 - **assortment** (range of products) / **dimensions of assortment** (width, depth, length, height, consistency);
 - **positioning of the product:** how the customer perceives a product in view of competitor's offerings;
 - the **PLC** and the need to renew or innovate;
 - **production's possibilities** to adapt to these policies (technology, capacity, quality, etc.)

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INTERNAL ANALYSIS



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INTERNAL ANALYSIS

Research & Development

- **Important aspects regarding R&D:**
 - the **ability to develop and to secure patents, copyrights, etc.;**
 - **possibilities and facilities to conduct research, internally, externally and in co-operation with others;**
 - the degree of **communications between R&D and other departments, such as Production, Marketing & Sales, etc.**

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INTERNAL ANALYSIS

Marketing & Sales

- **Important aspects regarding Marketing & Sales:**
 - possibilities and abilities to develop and to synchronize **adequate marketing instruments;**
 - possibilities and abilities to **conduct market research and to develop products and product variations;**
 - **skills within the sales department;**
 - the degree of **communications between Marketing & Sales and other departments.**

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INTERNAL ANALYSIS

Position compared to competitors

- **Important aspects in this respect:**
 - determination of **major competitors and their strengths and weaknesses;**
 - determination of **competitors who are or might become dangerous to the organization, in what way and to which extent;**
 - determination of **competitors that are or might become endangered by the organization itself, in what way and to which extent.**

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INTERNAL ANALYSIS

Position compared to competitors

- **What kind of competition? 4 basic levels:**
 - **need or budget competition:** the competition between the different needs of a customer: transportation, or education, or lodging. **Competition of 'share of wallet';**
 - **generic competition:** the competition between (the sellers) of various products that can satisfy a customer's certain need: ex.: bus ride or air travel;
 - **product form competition:** the competition between various technical forms or appearances of a certain product: ex.: low-budget or business class air travel;
 - **brand competition:** the competition which exists between various substitutable brands of a certain product: business class travel as offered by various major airline companies.

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INTERNAL ANALYSIS

Position compared to competitors

- **4 basic levels of competition:**



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INTERNAL ANALYSIS

Business portfolio analysis

- **Analysing the current business portfolio**
 - The business portfolio is the **collection of businesses and/or products** that form the company.
A business portfolio should fit its strengths and weaknesses, enabling the company to make use of its opportunities in the environment.
 - By analysing its current business portfolio, a company can decide which businesses should receive **more, less or no investment**, and it can develop growth strategies for **adding new products or businesses** to the portfolio.

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INTERNAL ANALYSIS

Business portfolio analysis

- **Analysing the current business portfolio**
 - One of management's major first steps will be to identify the key businesses that make up the company. These are **strategic business units, SBU's**.
 - A **strategic business unit** is a unit of the company that has its own separate mission and objectives, and which can be planned independently from other company businesses.
An SBU can be a company division (most commonly), a product line within a division, or sometimes even a single product or brand.

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INTERNAL ANALYSIS

Business portfolio analysis

- **Analysing the current business portfolio**
 - The next step in business portfolio analysis will be **assessing the attractiveness** of the various SBU's within the organization, and **deciding how much support each SBU deserves**.
 - Most standard portfolio analysis methods evaluate SBU's on two major dimensions: the **attractiveness** of the SBU's market or industry, and the **strength of its position** in that market or industry. Common methods are the **Boston Consulting Group matrix** and the **McKinsey / GE-MABA grid**.

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INTERNAL ANALYSIS

Business portfolio analysis: BCG

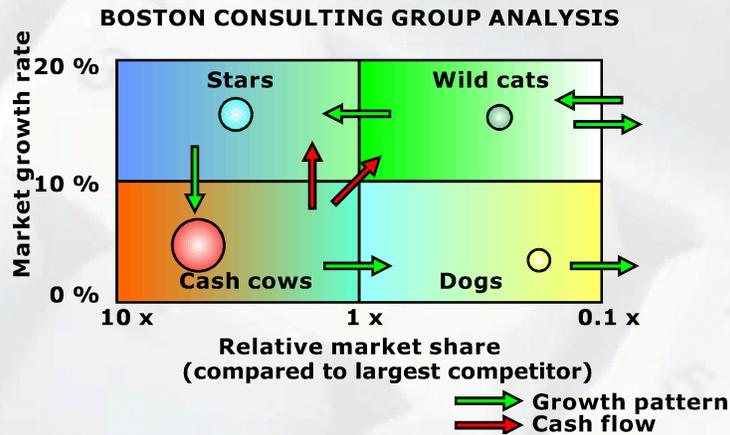
- **The Boston Consulting Group matrix**
 - This portfolio analysis tool was developed by the Boston Consulting Group in the mid 70's. It is based on the proposition that **cash flow** (= profit after taxes, plus depreciations) is an important factor in view of the following two dimensions:
 - a high **market growth rate** requires large funding -and therefore a rather large cash flow- in order to finance huge investments
 - a relatively high **market share** has a positive effect on (generating) cash flow of a firm.

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INTERNAL ANALYSIS

Business portfolio analysis: BCG



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INTERNAL ANALYSIS

Business portfolio analysis: BCG

- **BCG strategies for the various SBU's**
 - The company could choose to invest more in a business (unit) in order *to build its share*.
 - It could choose to invest just enough *to hold the SBU's share at the current level*.
 - It could choose to *harvest the SBU*, milking its short-term cash flow regardless of the long-term effect.
 - It could choose to *divest the SBU*, by selling it or phasing it out and using the resources elsewhere.

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INTERNAL ANALYSIS

Business portfolio analysis: MABA

- **The McKinsey / GE-MABA grid**
 - Like the BCG approach, this portfolio analysis tool also uses a matrix with two dimensions: **industry attractiveness** and the **company's strength in the industry**. However, contrary to the BCG method, this MABA analysis (**M**arket **A**ttractiveness **B**usiness **A**ssessment analysis) examines many other factors besides market growth rate and relative market share. All these factors form two kinds of indexes: an **industry attractiveness index** and a **business strength index**.

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INTERNAL ANALYSIS

Business portfolio analysis: MABA

- The McKinsey / GE-MABA grid

- | | |
|--|--|
| ○ Industry attractiveness | ○ Business strengths |
| <input type="checkbox"/> Market growth | <input type="checkbox"/> Market share |
| <input type="checkbox"/> Market volume | <input type="checkbox"/> Relat. market share |
| <input type="checkbox"/> Porter's 5 forces | <input type="checkbox"/> Product position |
| <input type="checkbox"/> Distribution channels | <input type="checkbox"/> Price position |
| <input type="checkbox"/> Life cycle | <input type="checkbox"/> Cost-price position |
| <input type="checkbox"/> Customer's buying power | <input type="checkbox"/> Distribution position |
| <input type="checkbox"/> Profitability | <input type="checkbox"/> Quality position |
| <input type="checkbox"/> Etc. | <input type="checkbox"/> Etc. |

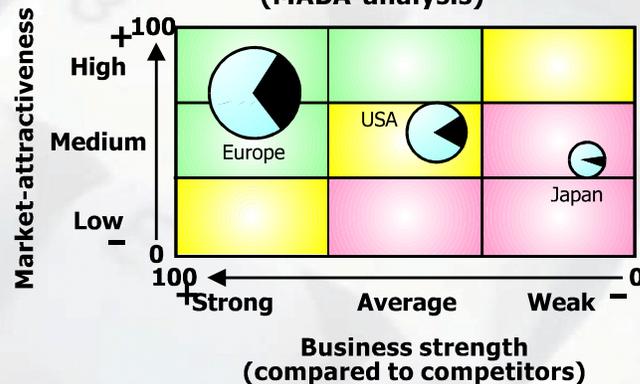
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INTERNAL ANALYSIS

Business portfolio analysis: MABA

McKINSEY / GENERAL ELECTRIC - ANALYSIS (MABA-analysis)



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INTERNAL ANALYSIS

Protect position - invest to grow at maximum digestable rate - concentrate effort on maintaining strength	Invest to build - challenge for leadership - build selectively on strengths - reinforce vulnerable areas	Build selectively - specialize around limited strengths - seek ways to overcome weaknesses - withdraw when lack of sustainable growth
Build selectively - invest heavily in most attractive segments - build on ability to counter competition - emphasize profitability by raising productivity	Selectivity / Manage for earning - protect existing programs - concentrate investments in profitable, low-risk segments	Limited expansion or harvest - concentrate on ways to expand without high risk, or: - minimize investment and rationalize operations
Protect and refocus - manage for current earnings - focus on attractive segments - defend strengths	Manage for earning - protect position in most profitable segments - upgrade product line - Minimize investment	Divest - sell at time that will maximize cash value - cut fixed costs and avoid investment in the meantime.

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INTERNAL ANALYSIS

Organizational factors

- **McKinsey's 7-S model: shared values**
 - Also known as *superordinate goals*, this category of factors involves concepts, values, core beliefs and expectations that people have of their organization, and that forge an organization, aimed at a mutual objective. Usually these shared values are important elements of a company's mission, often stated simply in tags, such as: 'customer service' (IBM), or 'innovation' (3M).
Not every organization has clear superordinate goals. However, those that do, often perform much better than those without them.

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INTERNAL ANALYSIS

Organizational factors

- **McKinsey's 7-S model: strategy**
 - Strategy refers to the organization's objectives and the conscious choices it makes to achieve them, such as prioritizing certain PMC's or allocating resources.

Strategy involves devising the plan(s) to maintain and build competitive advantage over the competition.

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INTERNAL ANALYSIS

Organizational factors

- **McKinsey's 7-S model: structure**
 - This category has to do with the structure of an organization, its hierarchy and co-ordination, and the way the organization is divided into smaller units or departments and their **degree of coherence** (consistency).

Structure also refers to the organization's integration of tasks and activities. Well structured organizations can carry through temporary structural changes for specific strategic tasks, without decomposing the basic structure of their entire organization.

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INTERNAL ANALYSIS

Organizational factors

- **McKinsey's 7-S model: systems**
 - Systems refers to the **primary and secondary processes** that the organization has set up that enable it to get things done, such as its manufacturing systems, its logistical systems, its order processing systems, its quality control systems, etc.

Systems also involves all the formal and informal methods, procedures, instructions and arrangements that form part of the organizations processes.

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INTERNAL ANALYSIS

Organizational factors

- **McKinsey's 7-S model: style**
 - Style has little to do with personality; style involves the **pattern of actual and symbolic actions** managers take.

Style also looks into spans, scopes and depths of control (**span of control**: the number of subordinates a manager supervises directly; **scope of control**: the number of subordinates a manager is capable of supervising; **depth of control**: the impact a manager has on subordinates working in lower levels of the organization).

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INTERNAL ANALYSIS

Organizational factors

- **McKinsey's 7-S model: staff**
 - Successful organizations look upon their **employees as precious assets** which need to be encouraged, developed and cared for. In such organizations a considerable amount of time and energy will be spent on training and motivating employees.

This factor refers to aspects such as degree of absence, level of education, and degree of willingness and flexibility of employees and their managers.

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INTERNAL ANALYSIS

SWOT-i: strengths / weaknesses

● Findings of internal analysis:

	STRENGTHS	WEAKNESSES
■ RESEARCH & DEVELOPMENT <input type="checkbox"/> Patents pending <input type="checkbox"/> In- / external communications <input type="checkbox"/>		
■ COMPETITIVE POSITION <input type="checkbox"/> Portfolio analysis <input type="checkbox"/> Market attractiveness <input type="checkbox"/>		
■ FINANCIAL POSITION <input type="checkbox"/> Investment capacity <input type="checkbox"/> Cost / revenue development <input type="checkbox"/>		
■ HUMAN RESOURCES POLICY <input type="checkbox"/> McKinsey's 7-S analysis <input type="checkbox"/> Service aspects <input type="checkbox"/>		
■ PROMOTION POLICY <input type="checkbox"/> Use of communic. instrumts <input type="checkbox"/> Promotion budget system <input type="checkbox"/>		

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STRATEGIC MARKETING PLANNING

SWOT-i analysis

- **Distillation of the findings of in-/external analysis**
 - **SWOT analysis** : a distillation of the findings of the internal and external audit, focussing on critical organizational **strengths** and **weaknesses**, and the **opportunities** and **threats** facing the company.
 - The SWOT analysis contains various data of differing importance and reliability; these data show where a business should focus its attention

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STRATEGIC MARKETING PLANNING

SWOT / CONFRONTATION-MATRIX

	A	B	C	D	E	F	
	Co-operation with other airlines	Size / carrier	flexibility / quality of service	capacity / frequency	low differentiation	independent suppliers	Tradeable control
	7	9	7	4	9	8	
	Strengths			Weaknesses			
Opportunities							
1 business market development	6	42	54	42	24	54	48
2 expansion of landing rights in USA / Asia	8	56	72	56	32	72	64
3 consumer's destination preferences	9	63	81	63	36	81	72
Threats							
4 market entry of low budget airlines	9	63	81	63	36	81	72
5 decrease consumer's buying power	4	28	36	28	16	36	32
6 instability in the Middle-East	6	42	54	42	24	54	48

Exploit / Attack	Adjust / Improve
Defend / Compete	Avoid / Co-operate

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STRATEGIC MARKETING PLANNING

SWOT analysis: no easy conclusions

- **Further analysis**

- Clearly, SWOT-confrontations will not result directly in easy solutions or suitable strategies; however, they do provide **strategic issues** that may need to be further investigated.

In this phase, especially larger companies will want a more quantity based examination, for instance by means of the earlier mentioned ***strategic gap analysis***.